

DEPARTMENTS OF COMMERCE, JUSTICE, AND
STATE, THE JUDICIARY, AND RELATED AGEN-
CIES FISCAL YEAR 2000 PRESIDENT'S BUDGET
AMENDMENT

HEARING
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ONE HUNDRED SIXTH CONGRESS
FIRST SESSION

SPECIAL HEARING

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**DEPARTMENTS OF COMMERCE, JUSTICE, AND
STATE, THE JUDICIARY, AND RELATED
AGENCIES FISCAL YEAR 2000 PRESIDENT'S
BUDGET AMENDMENT**

THURSDAY, JULY 29, 1999

U.S. SENATE,
SUBCOMMITTEE ON COMMERCE, JUSTICE, AND STATE,
THE JUDICIARY, AND RELATED AGENCIES,
COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:03 a.m., in room S-146, the Capitol,
Hon. Judd Gregg (chairman) presiding.

Present: Senators Gregg and Stevens.

DEPARTMENT OF COMMERCE

BUREAU OF THE CENSUS

STATEMENT OF KENNETH PREWITT, DIRECTOR

ACCOMPANIED BY:

JOHN THOMPSON, DIRECTOR OF DECENNIAL

**NANCY POTOK, PRINCIPAL ASSOCIATE DIRECTOR AND CHIEF FI-
NANCIAL OFFICER**

OPENING REMARKS

Senator GREGG. OK, we'll begin the hearing with Ken Prewitt, the head of the Bureau of the Census. The problem we have, Doctor, is that we're in the middle of votes, so we have to come and go. Since Senator Hollings is not here, I will reserve his opening statement until he gets here. I am not going to make an opening statement.

Do you wish to make an opening statement or should we get right to questions?

Mr. PREWITT. I have one. I am prepared to make it.

Senator GREGG. All right. Why don't you just summarize what you think we should know and then we will move on?

OPENING STATEMENT

Mr. PREWITT. I would like to say thank you for the hearing. I would like to say we also would like to recognize the important action by the House subcommittee to nearly fully fund the decennial census. That did include language which we would like to bring to your attention and that of your staff, which if left standing would

severely impede the ability of the Census Bureau to carry out the census.

It has to do with a reprogramming provision which we simply dispute and have disputed in the past when this has come up, so we would urge this committee to look hard at that language and address it. I am happy to answer questions about it as we go through the testimony.

As you know, we are here asking for a supplemental of approximately \$1.7 billion, which is largely driven by the Supreme Court decision where a few items totaling approximately 5 percent, which we would not attribute to the Supreme Court decision, but about 95 percent of this money is directly the response to that.

It really has to do with the problem of completeness and accuracy. We had a design which used the integrated coverage measurement procedure to both find and correct for any cases we missed in the basic census and which corrected for inaccuracies in the census. And since that procedure was ruled inconsistent with the statute, we have removed that procedure, of course, from the design, which means we now have to come back and do a lot of additional things in order to make certain that we both have completeness and accuracy.

I would like to just stress that we need these funds in a timely fashion, since this is not something that you can sort of start and stop. The train has left the station and to even delay it for a matter of a few days would, in ways that I can describe, severely impede our capacity to complete the census.

Just one big point I would like to make, Senator, to put the whole thing in context if I may, it is frequently said that the Census Bureau—we say it ourselves; the press says it; the Senate says it; Congress says it—that the Census Bureau missed so many people in 1990 and so forth, 8.5 percent of the population we missed.

Well, that is correct but not very informative. The real fact is a large proportion of the American population does not cooperate with the census. That is what the money is about. The money is to solicit and create cooperation among large parts of the population that do not cooperate.

Our mail response rate in 1970 was 85 percent. In 1980 it was 75 percent. In 1990 it was 65 percent. We are looking at perhaps 61 percent in 2000. That means more than 100 million people we have to go out and find.

So it is really the lack of cooperation on the part of the public that drives these costs up, not, I would like to say, particular errors or omissions or mistakes by the Census Bureau itself. I do not say this defensively; I only say this because that is the context.

Now that means we have an enormous workload, we have to hire many more people, we have to put in all kinds of quality control procedures, all of which I can respond in detail to you if you wish in the testimony.

And I will just conclude by saying that I said the census has left the track and it is picking up steam. We have been on what we call kind of the road to July, which is to say what do we have to have in place by today, by the end of this month, in order to make certain that come April 1, we are where we need to be?

And I would like to report that we are in very good shape with respect to the kinds of things we need to have finished in order to do a quality census in April. We have completed our address list development activities. We have visually spotted with our own staff 99 percent of the housing units in the country. We are working with local officials right now to resolve any remaining conflicts about address lists and we are on schedule in that work. We have awarded 35 printing contracts. Over 180 million forms are already printed and delivered to our redistribution center. And just at the end of this week we will be cutting the first phase of our computer file addresses for the printing address work.

We have opened 130 local offices and we are on schedule for opening the remaining 280, which have to be up, staffed, and running by October 1.

Our regional census centers are open. We have opened in fact, as of today, two of our data capture centers; one in Baltimore, one in Jeffersonville, Indiana. And we are on schedule for opening up our remaining two. These are very big, major operations where we do all of our optical scanning work.

We have completed the early production work on all of our media campaign. We have our partnership program up and running. Over 22,000 partnerships have already been signed up, partnership specialists in our various offices and so forth.

So on a whole number of rather specific procedures that have to be done by July 1999 to be intelligently in the field by early winter of 2000, I am happy to report that we are actually on schedule.

PREPARED STATEMENT

That was a quick summary of my written testimony, and we can turn to questions if that is your preference.

[The statement follows:]

PREPARED STATEMENT OF KENNETH PREWITT

Senator Gregg, Senator Hollings and members of the Subcommittee: Good morning, Mr. Chairman and thank you for the opportunity to appear before you today to discuss the Bureau's proposed fiscal year 2000 budget amendment for Census 2000. I am pleased to be here to share with you the reasons why this additional funding is necessary, and to let you know how much I appreciate the attention you've given Census 2000. I would like also to acknowledge the nearly full funding for Census 2000 provided by the House Appropriations subcommittee in their mark-up of our fiscal year 2000 request. And, I would like also to express my gratitude to this Committee for recognizing that the rest of the Census Bureau must continue its critical work in the economic and demographic areas while Census 2000 takes place. We appreciate the funding for the non-decennial census programs provided in the Senate Appropriations bill, and strongly urge the Committee to maintain that level of funding when the bill is conferenced with the House bill because of the disparity between your level of support and that provided in the House Appropriations subcommittee mark-up.

OVERVIEW

The Census Bureau is requesting an amendment to the fiscal year 2000 budget for the decennial census totaling \$1.723 billion, bringing the total request for the decennial census to \$4.512 billion. The additional funding requested is a direct result of the January 25, 1999 Supreme Court ruling that statistical sampling could not be used in Census 2000 to determine the population count used to reapportion seats in the House of Representatives. There are also a few low-cost improvements based on recent dress rehearsal evaluations and lessons learned from developing the address list. I am sure that you are well aware of the impact the Court ruling had

on our previous plan for conducting Census 2000, and that you also understand that Census 2000 was already in process when this ruling was handed down. The Bureau responded quickly to this ruling, preparing a revised operational plan by mid-March. Completion of the revised plan permitted the Bureau to reassess its funding needs and prepare the amendment you have before you today.

There are two primary reasons for the amended budget request: to improve the accuracy and completeness of the count without sampling we've added new operations designed to enumerate households not otherwise included in the census, and we've significantly increased the level of quality assurance on existing operations that affect the accuracy and completeness of the count. But before I outline for you the major components of the revised plan for which additional funding is required, I should note the importance of Congress providing adequate funding for Census 2000 in a timely manner. As I will explain in my testimony, Census 2000 is well underway. The train has left the station. We cannot park this train on October 1, even for a few days, without severe consequences to the schedule and accuracy of the census. For example, October 1 is a critical date for buying air time for our campaign scheduled to launch Census 2000 media advertising in November. Even a day or two delay will cause us to miss out on bidding for prime advertising time, seriously diluting the effectiveness of the campaign. Other field operations also cannot be interrupted without causing severe disruptions in the census.

FIELD DATA COLLECTION AND SUPPORT SYSTEMS

By far the most important aspect of this new, revised plan and for which we're now requesting the largest increase is in our field data collection activities and support systems. In this component alone we're requesting an additional \$1.451 billion, or 84 percent of the total.

A 100 percent nonresponse followup operation increases the total expected door-to-door workload from thirty million housing units in our earlier design to forty-five million housing units—that is, about a fifty percent increase in the number of housing units that must be visited, many on more than one occasion, because they will not have returned a census questionnaire through the mail. This workload increase over the previous census design requires an additional four weeks of labor-intensive field work, for a total of ten weeks, to complete this nation-wide effort. Because of the significant increase in the housing units to be visited, we must seek out many more people willing to take a temporary job knocking on doors. We will review and screen about 1,000,000 more applicants than expected under the previous plan, in order to reach our ultimate yield of about 800,000 qualified candidates. And, because of the increase in the number of housing units to be enumerated and the need to hire hundreds of thousands more applicants, resulting in lower overall skill level, we expect the average productivity of the temporary workforce to decrease from previous estimates. The combination of the increased workload and lower productivity estimates requires \$938 million to put more people on the streets for a longer period of time to ensure we count the entire population where they live.

We require an additional \$229 million to put into place a thorough effort to improve operational coverage. By that I mean we must include extraordinary measures to improve the quality of the census data by including both a program for checking on an estimated seven and a half million housing units initially classified as either vacant or non-existent and for visiting areas of new construction where the address list completed earlier would not have picked up new housing units.

There are also other critical activities we must conduct to improve the accuracy and completeness of census data for apportionment without sampling. For example, because the 1998 Dress Rehearsal coverage evaluation for Columbia, South Carolina indicated a high probability for seriously undercounting rural areas, we've enhanced quality assurance procedures in the final update of the address list for rural areas. There are also more people in segments of the population in special circumstances that require increased effort if we are to have a complete and accurate count without sampling. These segments are often the most difficult to count. Included are those in urban and rural areas where standard procedures are not effective and thus require special procedures. Then there are the linguistically isolated, people in shelters, and that segment of the population now living in group homes or quarters. These operations require about \$214 million.

We're also increasing the infrastructure needed to support these many expanded operations. This requires about \$279 million, providing for forty-four additional offices in order to effectively distribute the increased nonresponse followup workload, increases in office space and staff for the originally planned four hundred seventy-six offices, as well as outfitting the new and expanded offices with all the equipment and supplies necessary to conduct the field operations and administratively support

a workforce in excess of eight hundred thousand enumerators and supervisors. We will also keep all five hundred twenty field offices open one month longer than originally planned, and we must expand the telecommunications capabilities of all field offices to accommodate the significant increase in the data transmission requirements associated with one hundred percent nonresponse followup and to handle the administrative data such as payroll for the much expanded workforce. Finally, we expect that, because we're expanding the media and promotional aspects of the Census 2000 effort, the number of telephone inquiries will increase significantly, necessitating expansion of the contractor-operated Telephone Questionnaire Assistance operation.

As a direct result of the Supreme Court ruling prohibiting the use of sampling for determining the population count used for apportioning Congressional seats, we redesigned the Accuracy and Coverage Evaluation to now restrict the focus to all other uses of census data. This allowed a reduction in the number of housing units to be included in the survey from seven hundred fifty thousand to about three hundred thousand. In terms of field costs we expect this operation to cost almost \$209 million less in 2000 than the Integrated Coverage Measurement survey.

ADDRESS LIST DEVELOPMENT

Continuing updates for the Master Address File are fundamental to the preparations for mailing to and following up on housing units from which we do not receive a questionnaire. The Bureau must conduct a comprehensive, just-in-time address list update to include all newly-constructed housing units. This includes preparing and shipping additional address lists and maps, and then updating the geographic database with information provided by government units and other community entities participating in the new construction program. We will also launch a new operation to locate the correct address for people with multiple residences and people who have moved during the now extended data collection period. These address listing operations account for about \$10 million of the increased funding requirement.

AUTOMATED DATA PROCESSING AND TELECOMMUNICATIONS SUPPORT

Because the redesigned census operations will increase the data capture workload by an estimated twenty three million forms and questionnaires, the Bureau must extend operations by two months at all four data capture centers to ensure adequate opportunity to acquire the data through the ATA capture operation and conduct quality assurance activities. The equipment, software licenses, and telecommunications infrastructure for Census Bureau headquarters and in the National Processing Center in Jeffersonville, Indiana also must be expanded to handle increased data processing and data transmission requirements associated with the expanded volume and complexity of census data and the need to monitor more closely a much larger overall census operation.

The increased processing volume and extended and expanded operations requires \$136 million, which has been offset by a \$5 million reduction in the processing requirements of the Accuracy and Coverage Evaluation relative to the earlier design.

PUERTO RICO, VIRGIN ISLANDS AND PACIFIC AREAS

The funding required for Puerto Rico, the Virgin Islands and the Pacific Territories has increased by just over \$34 million. The largest contributing factor is that the one hundred percent nonresponse followup requirement increases the workload in Puerto Rico by an estimated 140,000 units. Comparable to enumeration activities of the fifty states and the District of Columbia, we'll conduct added coverage improvement operations, expand field infrastructure, increase telecommunications capability, add staff, and expand other activities such as recruiting. Operations in Puerto Rico account for \$25 million of this increased funding requirement. In addition, recently revised estimates we have received for the work to be done in the Island Areas will cost \$9 million more.

MARKETING, COMMUNICATIONS AND PARTNERSHIP

For the Bureau's program to reach out to the American people through advertising and other mediums, we're requesting an additional \$88 million. The bulk of this increase is associated with additional media messages, expanded promotion activities designed to achieve a higher level of responsiveness from those segments of the population traditionally most difficult to enumerate, and increases for the Census in the Schools program. These changes account for roughly \$73 million. One of the new media messages is designed for late Fall and early Winter to educate the American people about the census and the benefits to their communities. The second

new media message is designed to encourage cooperation with field interviewers when they are following up on housing units from which no questionnaire was returned. The remaining additional \$15 million is to provide expanded promotion and outreach to State, local and tribal governments and community-based organizations. This funding primarily will be directed to in-kind support such as posters, defrayment of printing costs, and other activities which encourage local participation in all aspects of Census 2000.

CURRENT OPERATIONS

Earlier in my statement I indicated that I would briefly outline some significant accomplishments of ongoing Census 2000 operations.

- Since fiscal year 1999 began, we've completed planned address list development activities in both rural and urban areas, including a visual spotting of about 99 percent of housing units in the country. Work is continuing with local officials to resolve potential address list conflicts.
- We've awarded 35 printing contracts and over 180 million forms are already printed, and we're currently preparing the computer file of addresses to be used for printing addresses on the questionnaires that we will mail or deliver next March.
- We've opened and staffed 130 Local Census Offices and have leased space for 380 of the remaining 390 offices. Leases for the remaining 10 offices will be executed before the end of the Summer. These offices will begin opening this Summer and all offices will be occupied by October 1, 1999, with management and support staff in place.
- We've opened and staffed the Regional Census Centers, which are the twelve temporary offices that will monitor operations at the Local Census Offices, collecting not only the operational data but maintaining the administrative support such as the daily payroll updates for all offices. These offices must remain open through completion of all Census 2000 field work.
- We've opened the Baltimore, Maryland data capture center and are in the process of testing and proving in the equipment and software there. And today we're opening the data capture center at our National Processing Center in Jeffersonville, Indiana. We're also working on final preparations for opening the two remaining data capture centers, in Pomona, California in October and Phoenix, Arizona in November in order to conduct necessary testing in preparation for Census 2000.
- We've overseen the design of the television advertising, and our contractors are filming and producing the ads. The schedule for purchasing air-time is complete, and we're making purchases.
- Finally, the partnership activities are continuing at an increasing pace, with approximately 22,000 agreements already in place. Over 400 partnership specialists have been hired to promote the census at a grassroots level.

CONCLUSION

Census 2000 is well underway, with many critical activities accomplished, and I'm pleased to report, on schedule. However, the success of Census 2000 depends on continuing scheduled activities at an ever accelerating pace through the balance of fiscal year 1999 and on into fiscal year 2000. Without the additional funding we are requesting, it will not be possible to carry out a fair and accurate census. With your continued attention to the critical nature of census activities and the timely manner in which funds are provided, we can maintain the pace necessary to accomplish what is required to fulfill our Constitutional duty to provide census data.

Again, thank you for this opportunity to express our additional funding needs. I will be happy to answer any questions you may have about this request or any other aspect of Census 2000 operations.

CONSTITUTIONAL DIRECTIVE ON THE CENSUS

Senator GREGG. That is great, and I appreciate that summary. You said you are happy with the House number, which is \$4.1 billion? \$4.5 billion?

Mr. PREWITT. \$4.5 billion, right.

Senator GREGG. Now the Constitution requires us to do a census, right?

Mr. PREWITT. Yes, sir.

Senator GREGG. What are the terms in the Constitution? What is the constitutional directive on the census?

Mr. PREWITT. The constitutional directive on the census is that we should, by law, as passed by Congress and signed by the President, of course, we should count all of the residents in the United States as of a certain reference date. The current reference date is April 1.

Senator GREGG. Didn't the Constitution set a date for when the census should be? Every 10 years?

Mr. PREWITT. Oh, yes. The decennial census, of course.

Senator GREGG. So by law and by the terms of the Constitution, we do a census every 10 years?

Mr. PREWITT. Yes, sir.

Senator GREGG. And the last census we did was in 1990?

Mr. PREWITT. Yes, sir.

Senator GREGG. So we are going to do a census in the year 2000?

Mr. PREWITT. Yes.

CENSUS CATEGORIZED AS EMERGENCY

Senator GREGG. So I guess I would have to ask you is this an unexpected emergency that we are going to do a census in the year 2000?

Mr. PREWITT. It is not unexpected that we would do a census in 2000. We have been planning for it since 1991.

Senator GREGG. Is it an emergency that we are going to do a census in the year 2000?

Mr. PREWITT. I think I would only constitute it as an emergency if indeed we did not get the funding that we need for 2000.

Senator GREGG. I appreciate your support for the House number, but I would note that it was done in terms of an emergency, and we define emergency around here as an unforeseeable event of extraordinary, catastrophic proportions. When the Constitution, since time immemorial, calls for a census every 10 years, it is hard to see how we could categorize it as an emergency.

Now, you said you need the money in a timely way, which I can understand, but my question to you is, do you have a spend-out rate for the \$4.5 billion?

Mr. PREWITT. A cash flow model?

Senator GREGG. Beginning October 1?

Mr. PREWITT. Yes, sir.

Senator GREGG. What would that be approximately?

Mr. PREWITT. What number we would need?

CENSUS SPENDING RATE

Senator GREGG. What percentage of those dollars are you spending in the first quarter, the second quarter, and the third quarter of next year?

Mr. PREWITT. We can do that rather specifically—

Senator GREGG. Just a general idea and then I would like to get the specific cash flow spend-out rate.

Mr. PREWITT. Surely. Right now in the advertising budget, because of the way the early buys work, a very high percentage, \$71 million out of the \$88 million that are requested in the supple-

mental, we actually need that on October 1 because we launch our campaign in November and the buys occur as of October 1.

Senator GREGG. But money is fungible, so what I want to know is if on October 1 you have \$3 billion committed, at what point do you run out of that \$3 billion?

Mr. PREWITT. If on October 1 we have \$3 billion, we would easily get through the first quarter.

Mr. THOMPSON. The bulk of the money really takes place between March and July.

Senator GREGG. And your name is?

Mr. PREWITT. I'm sorry. John Thompson, Director of the Decennial.

Senator GREGG. So between March and July you will need 50 percent of the dollars that would be appropriated for the next year?

Mr. PREWITT. Approximately. That is our huge labor cost. More than 50 percent. We have 860,000 people on the streets during that key period because of the lack of cooperation, and the huge cost of any census is the labor costs. There are other big costs but that is the high-ticket item.

USE OF IMMIGRANT ENUMERATORS

Senator GREGG. Now the INS—you put out a statement that you were going to use illegal immigrants to count. Obviously, I presume that is a SNAFU.

Mr. PREWITT. Well, we certainly did not put out a statement about using illegal immigrants.

Senator GREGG. The language was essentially that you would be using people who were not here legally. But in any event, that was corrected. There was a clarification issued which says you are now going to use legal immigrants. I guess the INS has told us that that is going to create problems because it will make nonresident alien status of these individuals who become illegal under the proposal that you put forward. Are you familiar with this?

Mr. PREWITT. Yes, sir. If I could start at the start of this question, I cannot believe the Census Bureau issued anything saying that it would use illegal—we have to talk about the language but that has never been our intention or even our thought.

Second, with respect to if there was anything in our provisions which INS is not bringing to our attention which could sort of put at risk the legal status of somebody who does have a right to work, we clearly would not do that. We will sit down with INS and work that out in a minute. So it is not our intention to put anyone at risk at all with respect to their immigrant status.

Senator GREGG. OK. So you are going to sit down with INS and clarify—

Mr. PREWITT. If there is an issue here, certainly.

Senator GREGG. Well, there is an issue.

Mr. PREWITT. Well, we will certainly sort it out.

Senator GREGG. At least according to the INS there is an issue.

Mr. PREWITT. We will work it out with them quickly.

ADVERTISING BUDGET

Senator GREGG. We have both agencies, so we hear from both sides.

Now on the advertising budget, you say you are going to spend it early. How are you going to spend it?

Mr. PREWITT. It is a budget in which the bulk of it, 64 percent of it, is spent on media buys, and we have done a few of what we call early buys.

Advertising space is limited and people, like Ford Motor Company or Nike or whatever, they buy big pieces of it going into the future. Then they open what could almost be like a spot market on a monthly basis and that is the residual, what is left over from the major buys that have already been done by the large buyers.

And October 1 is the day on which we need to be purchasing what will be the key ads that will be running in November, December, January, which is our educational campaign. And our advertising contractor, Young & Rubicam, tells us that if we miss by even as much as a couple of days, they get the left-overs.

Senator, if I can just take a second, in 1990 we ran the advertising campaign with pro bono advertising and it had the consequence that it appeared at 2 o'clock in the morning, off-hours and so forth. We have now gone into a paid advertising campaign. It would be ironic, having spent a great deal of money, maybe \$166 million of paid advertising, if we were left with the residual which was 2 o'clock in the morning. We need to be able to get in that early buy market and into that spot market on schedule to make sure that we are not left with poor spots or poor placement in the print media and so forth.

What they are telling us based upon their own analyses is that nearly all of their expenditures, \$71 million of it, they need that—that market opens for the people who are there immediately buying time and buying space.

Senator GREGG. Now who are you contracting with for this advertising?

Mr. PREWITT. The prime contractor is Young & Rubicam, and they have four subcontractors.

Senator GREGG. And is that a competitive bid?

Mr. PREWITT. Yes, sir, very, very competitive. We ran that as an RFP. We ran that with a presolicitation conference. We ended up with 11 applicants. We brought them all in, looked at their work. That was reduced to four. They came in, they made verbal presentations and from the four, we chose the one on a rating system that had very, very heavy sort of technical advice and supervision. So a very competitive process, which was awarded on time and had no complaints whatsoever from any of the nonwinners.

SUPPLEMENTAL FUNDING

Senator GREGG. I am wondering why we did not get that request in the supplemental, since you knew it was going to be——

Mr. PREWITT. We put a request in the supplemental for extra advertising money. Part of the \$44.9 million that you got in the 1999 supplemental was for early buys and that money was provided, and we really appreciate that because we did our early buys in July.

We are now into, as I say, a spot market. The fiscal year starts on October 1 and if we have the money on October 1, we are in good shape.

Senator GREGG. Well, you will have a gross sum that is fungible, so you will have the money.

Mr. PREWITT. Yes, if it is fungible.

PRODUCTIVITY

Senator GREGG. Now we have been advised that you have had a significant drop-off in productivity expectations with people that you are hiring. Is that true?

Mr. PREWITT. When we did our initial budgeting, we obviously had to make estimates about productivity, and we were looking at an employment pool of about 560,000 people. We are now up to 860,000.

As soon as you add additional manpower to the labor pool, manpower or womanpower to your labor pool, you end up dipping deeper into who is available. And we made a judgment, based upon that, that we are likely to get lower productivity from the total labor pool, which has now gone up by, as I say, nearly 300,000 people.

We have also imposed some added burdens on them, sir, which had to do with the Supreme Court decision—quality control, coverage things. We have made them do things which we did not have in our initial design, and it takes longer to do those kinds of things. For example, we are now doing a quality check on the work of the enumerators in a particular part of our operations.

So it is not that their productivity has declined; it is that we have redesigned a study, redesigned the way we are going to conduct the census and calculated the productivity of that design.

Senator GREGG. I have three minutes to get to a vote. Rather than keep you here while I vote and then come back, there are a few things I would like to know specifically. I would like to get the specifics on, by categories, how much of the increase the court cases cost, which I am sure you have already done.

Mr. PREWITT. Yes, sir, we have done that.

Senator GREGG. The 300,000 extra people—when they are going to be coming to work; how much they are going to cost; and the flow chart for spendout. Those are the things.

Mr. PREWITT. We can do that in 24 hours.

Senator GREGG. I am sure you can. Twenty-four hours is fine or a week is fine. We are not going to be resolving this tomorrow.

Mr. PREWITT. We can get it to you immediately.

Ms. Potok. We need a little more time for the spendout.

Senator GREGG. Unless you want a tax cut in the next 24 hours, it is probably not necessary.

ADDITIONAL COMMITTEE QUESTIONS

OK, I appreciate your time and I thank you and I understand that you are sort of between a rock and a hard place, and we will try to figure out a way to expedite you out of that.

Mr. PREWITT. Thanks.

Senator GREGG. Thank you.

[The following questions were not asked at the hearing, but were submitted to the Bureau for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR JUDD GREGG

FUNDING INCREASES ASSOCIATED WITH COURT CASES

Question. Please provide a breakout of this request by category, and explain how much of the funding increase is associated with the court cases?

Answer. Approximately 93 percent of the \$1.7 billion funding increase is associated with the January 25, 1999 Supreme Court decision prohibiting the use of statistical sampling in Census 2000 for determining the population count for purposes of reapportioning Congressional seats. The following explains the major categories of the increase, and identifies how much in each is not related to the Supreme Court decision.

Field Data Collection and Support Systems

By far the largest and most important increase is in our field data collection activities and support systems. In this component alone we're requesting an additional \$1.45 billion. Of this amount approximately \$98 million is not related to the Supreme Court decision, but is based on information learned after the decision from our continual review and analysis of field logistics and communications requirements, the recent completion of Dress Rehearsal evaluations, and completion and evaluation of the address listing operations in late Spring 1999.

The vast majority of the increase, about \$938 million, is required due to the increased nonresponse follow-up workload and expected lower productivity from the much larger workforce. The nonresponse follow-up workload is expected to increase by 15 million housing units.

We also need \$229 million to put into place a thorough effort to improve operational coverage. This amount is to provide for new and extraordinary measures to improve the quality of the census data.

Another \$214 million is for critical activities we must conduct to improve the accuracy and completeness of census data. These activities focus on improving the counts in geographic areas or segments of the population either traditionally difficult to enumerate or that have experienced significant growth since the 1990 census.

We're also increasing the infrastructure needed to support the expanded field operations, which requires about \$279 million. In addition to more field offices, funding is needed to add staff to administratively support and manage the greatly expanded operations, as well as provide for having to keep the field offices open longer.

Finally, the request reflects the redesigned Accuracy and Coverage Evaluation by eliminating about \$209 million from the original request.

This is reflective of the reduction in the number of housing units in the survey from 750,000 to about 300,000.

Address List Development

After reviewing the Dress Rehearsal results, the Bureau decided to conduct a comprehensive, just-in-time address list update to include all newly-constructed housing units. We will also launch a new operation to locate the correct address for people with multiple residences and people who have moved during the now extended data collection period.

These address listing operations account for about \$10 million of the increased funding requirement. About \$1.4 million is not related to the Supreme Court decision, but rather the New Construction program.

Automated Data Processing and Telecommunications Support

The increased data processing volume and extended and expanded operations requires an additional \$136 million. The request includes an offset of approximately \$5 million due to reduced workload associated with the Accuracy and Coverage Evaluation relative to the earlier design. All of this increase is related to the Supreme Court decision.

Puerto Rico, Virgin Islands and Pacific Island Areas

The funding required for Puerto Rico, the Virgin Islands and the Pacific Territories has increased by just over \$34 million. The single largest contributing factor is that the one hundred percent nonresponse follow-up requirement increases the workload in Puerto Rico by an estimated 140,000 units.

About \$13.3 million for Island Areas MOUs is not related to the Supreme Court decision, but rather to recent input from the Island Area governments.

Marketing, Communications and Partnerships

For the Bureau's program to reach out to the American people through advertising and other media, we're requesting an additional \$88 million. This increase is associated with additional media messages, expanded promotion activities designed to achieve a higher level of responsiveness from those segments of the population traditionally most difficult to enumerate, and increases for the Census in the Schools program. All of this increase is related to the Supreme Court decision.

EFFECTS ON CENSUS 2000 OF A FISCAL YEAR 2000 CONTINUING RESOLUTION

Question. What funding is needed and why for the early portion of fiscal year 2000 if there is a continuing resolution?

Answer. A continuing resolution that does not fully fund fiscal year 2000 spending needs, even for a single day, will have deleterious and potentially disastrous effects on Census 2000. In October 1999 the Census Bureau projects that it will need \$189.5 million, more than twice as much as the approximately \$92 million per month that would be provided under a fiscal year 2000 Continuing Resolution at the fiscal year 1999 spending levels. Under these circumstances, the Census Bureau could not conduct key activities when planned, thereby increasing the risk to Census 2000. Among the key activities are advertising media buys, temporary field staff recruiting, final development and deployment of the systems and processes to support capturing information from the Census 2000 questionnaires, shipment of kits and supplies to support data collection in the local census offices, development and deployment of the systems and processes needed to support the Census 2000 telephone questionnaire assistance program, and preparations for the Island Areas data collection effort.

Advertising Media Purchases:

A continuing resolution at the fiscal year 1999 spending levels, even for one day, would seriously disrupt the effectiveness of the Census 2000 advertising campaign. By October, major long-term advertisers will have already bought a significant portion of the fixed media inventory for the period during which we must run the Census 2000 campaign. Short-term advertisers can only begin buying the remaining inventory at the beginning of each month. As such, we will be competing against many other purchasers. If we cannot begin buying on October 1, we will not be able to purchase the slots we need to get the right message to the right people at the right time. Any delays in fiscal year 2000 funding would have a serious negative impact on our advertising campaign.

Recruiting:

The current Census 2000 design, which incorporates a 100 percent nonresponse follow-up, requires us to recruit an unprecedented number of temporary field workers. To attract the very large number of workers that we will need to staff the non-response follow-up and other major data collection operations in fiscal year 2000, we must mount a major national recruiting campaign. Media buys for the recruiting campaign must begin in early October, for the same reasons that we must begin media buys for the census advertising campaign. Any delay in funding would seriously jeopardize our ability to staff the Census 2000 data collection operations, thus, putting the entire census effort at risk.

Preparation for Data Capture:

A continuing resolution at fiscal year 1999 funding levels could disrupt funding of critical contracts that support activities required to capture the information from over 100 million Census 2000 questionnaires. Our plans call for funding the Data Capture System (DCS2000) contract to complete systems development and deployment of systems and equipment for optical scanning of the questionnaires in four data capture facilities opened during 1999. The current plan also calls for funding the Data Capture Services Contract (DCSC) to carry out operational tests, finalize operational procedures, recruit staff, and maintain the facilities for the large (200,000 square foot) centers that will house the DCS2000 equipment. Any reduction in funding these contracts would seriously jeopardize the contractors' ability to complete testing; systems development and installation; and recruiting of key management and production staff in time to have a fully functional data capture system in place by March 2000.

Shipping Kits and Supplies to Local Census Offices:

A continuing resolution at fiscal year 1999 funding levels would disrupt the shipment of kits and office supplies to the 520 local census offices. These materials must be received in the local census offices in time to support the recruiting effort as well

as some early Census 2000 operations. Delays in the shipment of these materials would negatively impact the already tight schedules needed to ensure the successful start and completion of key data collection operations.

Telephone Questionnaire Assistance:

Our contractor for Census 2000 telephone questionnaire assistance (TQA) must complete a number of critical activities during October to develop, test, and deploy the systems and equipment to more than 30 individual call centers required for this key operation. Any funding disruption would jeopardize our ability to ensure that this important service is available to the public during the critical data collection period.

Island Areas:

A continuing resolution at fiscal year 1999 levels could seriously disrupt conducting the census in the Island Areas. Census work starts with having Memoranda of Understanding signed and associated funding allocated for each of the Island Areas on October 1. If this is delayed, none of the preparatory activities can begin. Specific activities that need to occur in the first quarter of fiscal year 2000 include the leasing of local office space, the procurement of office equipment and supplies, the installation of telecommunications systems, and shipping materials, manuals and training materials for conducting census operations for both the office staff and enumerators. Delays in their arrival will result in delays in the initial activities in preparation for the census. Our advisors are scheduled to travel to the Island Areas on October 1.

Accuracy and Coverage Evaluation (A.C.E.) Listing:

The month of October will see an increase in A.C.E. address listing activities of five percent over the month of September, marking the peak of address listing activity for this project.

The following table and graph (Attachments 1 and 2) outline the Continuing Resolution Requirements which we would need for the first month of fiscal year 2000.

ATTACHMENT 1.—*Continuing resolution requirements—fiscal year 2000 decennial census, October 1999*

Baseline:

Salaries and other expenses	\$37,080,897
Contracts and other expenses	27,289,806
Activities:	
ACE listing	7,599,773
LUCA/ALR ¹	5,000,000
Rent	13,398,873
Other	1,354,375
Subtotal	91,723,724

Additional and ongoing costs not in baseline:

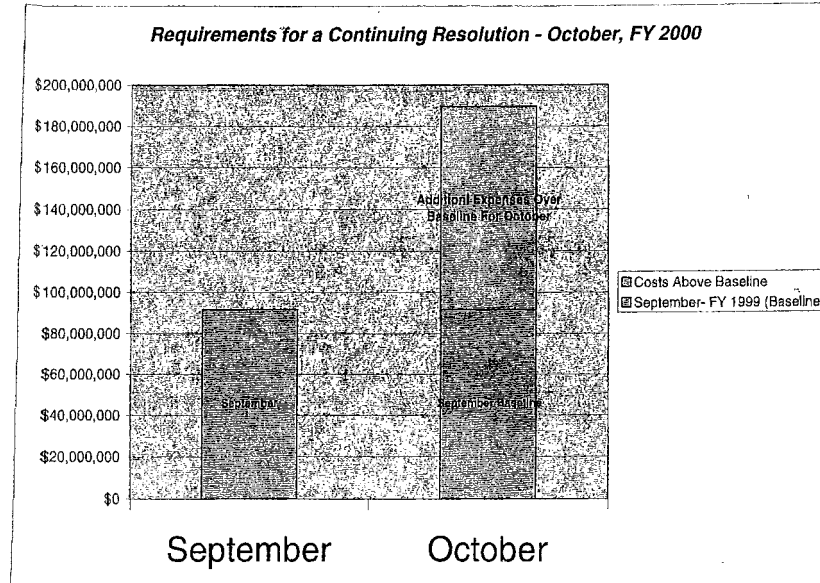
Media buys	71,000,000
Recruiting	8,500,000
ACE listing	380,000
Data capture	5,067,751
Other island areas MOU—first installment	4,600,000
Shipping to LOCs ²	5,000,000
TQA development	1,947,476
Other	1,305,431

Subtotal	97,800,658
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Grand total	189,524,382
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¹ Local update of census addresses/address list review.

² Local census offices.



Attachment 2

Question. Please provide a spending flow by quarter along with FTE for fiscal year 2000.

Answer. The following tables show the fiscal year 2000 estimated quarterly spending flow for both dollars and FTE. Approximately \$2.5 billion is for salaries in fiscal year 2000. FTE is estimated to be 98,677. It is important to note that all major contracts will be obligated in the first quarter. Quarterly distribution has not yet been finalized.

PRELIMINARY FISCAL YEAR 2000 ESTIMATED QUARTERLY SPENDING FLOW SUMMARY

[Dollars in thousands]

	Fiscal quarter—			
	1	2	3	4
Program development and management	\$11,477	\$6,495	\$6,495	\$6,495
FTE	61	61	61	61
Data content and products	\$19,987	\$129,080	\$40,628	\$4,929
FTE	42	42	42	42
Field data collection and support systems	\$526,778	\$559,456	\$1,619,986	\$768,301
FTE	8,916	15,778	47,517	21,775
Address list compilation	\$12,050	\$7,027	\$12,293	\$12,293
FTE	115	115	300	300
Automated data processing and telecommunications support	\$361,457	\$13,437	\$38,490	\$63,994
FTE	18	18	599	600
Testing evaluation and dress rehearsal	\$8,918	\$3,857	\$3,857	\$3,857
FTE	79	79	79	79
Puerto Rico and island areas	\$25,999	\$13,967	\$18,872	\$12,578
FTE	83	338	521	265
Census marketing, communications, and partnerships	\$151,015	\$16,159	\$16,159	\$16,159

PRELIMINARY FISCAL YEAR 2000 ESTIMATED QUARTERLY SPENDING FLOW SUMMARY—Continued

[Dollars in thousands]

	Fiscal quarter—			
	1	2	3	4
FTE	174	174	174	174
Totals	\$1,117,682	\$749,478	\$1,756,780	\$888,606
FTE	9,487	16,604	49,292	23,294

Question. The 300,000 extra people, when are they going to be coming to work, how much are they going to cost?

Answer. The additional 300,000 people needed for data collection operations will cost an estimated \$1.031 billion. The vast majority of these additional people will be employed during the third fiscal quarter and into the early portion of the fourth fiscal quarter.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

Question. A census official is quoted in the July 27, 1999 Anchorage Daily News as saying that Congress has told the Census that if a census survey question isn't called for by law or required to provide data for a government program, it has to be dropped. I'm informed that Census has dropped from its long form two questions relating to where people get their drinking water and whether their homes are connected to a public sewer system. However, the Denali Commission Act of 1998 (title III of division C of Public Law 105-277) creates a State-Federal commission to deliver certain Federal services in rural Alaska. Its duties include promoting rural development, such as water and sewer systems, as well as developing a "comprehensive work plan for rural and infrastructure development." In carrying out its duties, the Commission is to provide assistance, seek to avoid duplicating services and assistance, and complement the water and sewer wastewater programs under section 306D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926d) and section 303 of the Safe Water Drinking Act Amendments of 1996 (33 U.S.C. 1263a). In order to complement rather than duplicate existing Federal services, it requires data enabling the Commission to develop a truly comprehensive plan for Alaska for rural and infrastructure development. In my judgement, the two questions considered for deletion from the long form are required in Alaska under the Denali Commission Act of 1998. Please advise us whether the Census will retain these question for the Alaska count.

Answer. The Census Bureau recognizes the importance of these data to communities in Alaska. The Bureau is currently exploring other survey options for collecting these data early in the next decade, including the American Community Survey (ACS). The process for determining the questions included in Census 2000 found that although there are some Federal programmatic uses, no Federal mandates or case law requirements from the U.S. Federal court system explicitly require data on source of water. In response to our request to document the uses of census data to determine the topics for Census 2000, Federal agencies did not identify any explicit legislation to qualify source of water or sewage disposal as mandatory or required. As a result, we did not include them in our Census 2000 subject submission to the Congress on March 31, 1998, which was based on the premise that the proposed content of Census 2000 must be justified with either mandated or required uses of the data. Following this submission the Census Bureau fully considered all expressed concerns about question topics before finalizing questionnaire content and design. To date, we have printed over 227 million questionnaires.

Question. Bush Alaska has cities and regional hubs which include a large seasonal and mobile population, which includes a number of Alaska Natives eligible for Federal services. Will the Census be using the long form in cities other than Anchorage and in every community off the road system in Alaska? If not, please provide the basis for discriminating among communities.

Answer. The long form will be used in all communities (small and remote), including the enumeration procedures for cannery and fishing workers who have relocated during seasonal employment opportunities.

QUESTION SUBMITTED BY SENATOR PETE V. DOMENICI

Question. Even without the budget amendment of \$1.7 billion, why is it costing so much to do the Census next year? In 1990, the appropriation for the decennial census was \$1.4 billion, and that census did not use sampling in the manner the Administration had contemplated for 2000. Adjusting for inflation and the growth of the population, conducting a 1990-type census in 2000 would cost about \$2.1 billion. Yet the Administration began by asking for \$2.9 billion instead for 2000, and then when the Supreme Court decision meant that Census couldn't use the cost-reducing sampling techniques it had planned on, the cost goes up by another \$1.7 billion. What are the other factors besides inflation and demographics that are going on here?

Answer. There are many factors that contribute to the increased cost of conducting Census 2000. There are four major categories that increased costs above 1990 for the original sampling plan:

Standard Cost Increases

Inflation.

Increases in housing units from 104 million in 1990 to 118 million in 2000.

Field infrastructure increases for a larger number of offices to manage the increased workload.

Increase in workload associated with the growth in group quarters and special places, such as college dormitories and nursing homes.

Federal wage rates adjusted for locality pay increases.

Cost Increases above Standard

Field operations with wage rates adjusted to be competitive in hiring under local economic conditions; based upon recommendations from a labor economist contractor hired to conduct pay studies and validated in the Dress Rehearsal.

Third class postage changed to first class.

Bigger offices required for increased workload; higher cost per square foot.

Growth in information technology costs that out-paced inflation.

Printing increases that out-paced inflation.

Redesigned and New Operations

Pre-notice letter expanded in 2000 to heighten awareness of Census 2000.

Telephone Questionnaire Assistance contract to meet public demand for multi-lingual, toll free telephone assistance.

Language program increases in 2000 to facilitate data collection from linguistically isolated populations.

Redesigned Address List Development program to compile the most complete and accurate Master Address File (MAF) ever.

Post Enumeration Survey workload of 150,000 housing units in 1990 increased to about 300,000 housing units for the Accuracy and Coverage Evaluation in the 2000 Census plan.

Increases Due to Declining Cooperation

65 percent mail response rate in 1990, expected to decline to 61 percent in 2000.

Additional supervision to combat high turnover of field staff.

Paid advertising added in 2000 to heighten awareness of Census and foster public cooperation.

In addition to the factors identified above, the budget amendment of \$1.7 billion for the revised census plan was driven by the need to add additional staff and infrastructure to handle increased volume, as well as the addition of new operations to improve coverage and increase quality, following the Supreme Court decision. These are explained in greater detail in the question on the breakout and detail of the \$1.7 billion request.

QUESTION SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

Question. I am concerned that Americans living overseas are not included in plans for Census 2000. The Senate Appropriations Committee has directed the Census to work with the Department of State to include Americans living abroad in Census 2000. Would you please outline efforts which have been made to address this matter to date, and describe additional steps the Census Bureau and State Department will be taking to ensure that Americans living abroad are counted.

Answer. As it did in 1990, the Census Bureau will enumerate overseas U.S. military personnel and their dependents along with overseas civilian Federal employees and their dependents using Federal administrative records in Census 2000.

Regarding other U.S. citizens abroad, the Census Bureau has given this issue very serious consideration. The Census Bureau Director testified on this topic before the House Subcommittee on the Census on June 9. Census Bureau staff met with representatives of overseas Americans groups prior to that. Census Bureau officials also met with leaders of groups representing overseas Americans on July 23.

Lack of time for adequate planning is currently the biggest issue in preventing the enumeration of non-federally affiliated Americans abroad in Census 2000. We are only months away from Census Day. All major operational plans for Census 2000 have been finalized; some procedures have already begun. Implementing the numerous interrelated, complex tasks in conducting a census requires the undivided attention of Census Bureau management and staff. Efforts to introduce new procedures to the design will place Census 2000 at risk.

Also, cost would likely be significant and we could not conduct an overseas enumeration within the existing budget request. We would need additional staff, additional forms for overseas enumeration, significant funding for shipping to and from many countries, as well as controlling and capturing the information on the returned forms. Even if the Census 2000 clock allowed us to add this operation, it would be extremely costly and result in incomplete and unreliable data.

The Census Bureau may be able to count U.S. citizens abroad in the 2010 decennial census, but some extremely difficult technical issues would need to be resolved.

First, the Census Bureau cannot estimate accurately the size of the universe of this population and does not have a means of developing an address list or other comprehensive control file. Without a defined universe of households, we would have no way of knowing if we had conducted a full and accurate count. Without a control mechanism that would serve as a basis for follow-up on nonrespondents, the enumeration of the overseas component would essentially be voluntary, which would add bias to the results. The result of such a biased and inaccurate enumeration of the private overseas American population could distort the population of each state, potentially affecting the apportionment of congressional seats.

Second, we have concerns about correcting and detecting any invalid responses. Requesting passport numbers or Social Security Numbers will not solve this problem since not all citizens overseas have these documents. For example, in Canada a passport is not required for U.S. citizens. Many citizens overseas may not have an SSN, particularly dependants. There is no practical way to verify either U.S. citizenship or the home state designation through this voluntary, uncontrolled type of enumeration. The Census Bureau would need to establish appropriate criteria for making such a claim; e.g. last state of residence, state of birth, state where registered to vote, state claimed for income tax purposes, etc., but this needs to be examined further.

Third, even if issues of accuracy, validation and verification could be resolved, it would be much more operationally complex to include all overseas American citizens in the census count than may appear at first glance. Processing of results would require matching of files, development of procedures for resolving matching problems, and deciding how to handle unmatched cases. The Census Bureau would need to obtain the commitment of considerable staff from the State Department. The State Department would have to provide address lists of embassies and consulates by country worldwide, along with current estimates of the number of Americans living in each embassy/consular jurisdiction. We would have to swear in and train State Department employees in embassies all over the world, providing them with special sworn status to address legal confidentiality concerns. All this would require a substantial amount of negotiation, planning, and coordination between the two agencies.

Question. If partnerships are a centerpiece of the Census Bureau's outreach efforts, why has the Bureau, to date, refused to partner with American organizations overseas to enumerate in Census 2000 all Americans living and working abroad?

Answer. The purpose of the partnership program is to reach out to local communities to improve the count in the 2000 Decennial Census. As explained in the answer to the previous question, there are currently no plans to enumerate non-federally affiliated Americans abroad in Census 2000.

The Census Bureau has already begun the process to establish contacts with organizations representing Americans living abroad. We recognize the importance of such communication for the development of an operationally and statistically sound plan for counting private Americans living abroad in a future decennial census. On July 23, 1999 Census Bureau officials held a half day meeting with members of the Census 2000 Coalition, a group representing Americans living overseas, to begin a dialogue on the policy, operational, accuracy, and resources issues of counting private Americans living abroad. The purpose of the meeting was for the Census Bureau to understand the needs and expectations of the Coalition with respect to this

enumeration, to explain to the participants the nature of the policy, operational, and accuracy issues that need to be resolved to implement this enumeration in a decennial census, and to begin a joint exploration of possible solutions for implementation in a future census.

QUESTION SUBMITTED BY SENATOR DANIEL K. INOUE

Question. National Standard 8 of the Magnuson-Stevens Fishery Management and Conservation Act states that conservation and management measures should account for effects on fishing communities. Several fishery management councils have pointed out the difficulty that they have in assessing such impacts. The problem, as I understand it, is a lack of good socioeconomic fisheries data. I am told that census data aggregates data for persons employed in fishing industries with data for those in agriculture and mining. Self-employed fishermen are counted with farmers and foresters. What are the Administration's plans for correcting this problem when the year 2000 census data are assembled?

Answer. The plans for Census 2000 data include the presentation of data for occupation in a variety of detail. The example presented in the inquiry is an aggregation or grouping that is referred to as the "major" groupings. Data in a more detailed table that we currently plan to tabulate will separate fishermen from the other components of the agriculture and forestry employed people and occupations. In addition to data on CD-ROM or in tables and profiles, the American Factfinder, designed to disseminate data on the internet, will also present Census 2000 data on persons employed in the fishing industry. The variations in data presentation are also related to geographic sizes of communities and to disclosure prevention. We welcome your comments and also encourage data users and program planners to contact us if the geographic detail and precision of the occupation data are not useful for fishery management councils. The Bureau and its partners in data dissemination in the state and local areas will be willing to work with users to present the data that America needs.

DEPARTMENT OF STATE

STATEMENT OF PATRICK F. KENNEDY, ASSISTANT SECRETARY OF STATE FOR ADMINISTRATION

Senator GREGG. OK, we will reconvene here.

We have Mr. Kennedy from the State Department. It appears he does not have as much staff as the Census Bureau; that is good to see. That is a plus to start off.

Mr. KENNEDY. Thank you, sir.

Senator GREGG. Please, do you have anything you want to tell us?

Mr. KENNEDY. I do have a written statement, sir, if I might submit that for the record.

Senator GREGG. Yes, of course.

ORAL STATEMENT OF PATRICK F. KENNEDY

Mr. KENNEDY. And then if I could give just a brief summary, first of all, I would like to thank you for the opportunity to appear before you to discuss the President's budget amendment that increases the fiscal year 2000 appropriation request for the security and maintenance of missions abroad. It increases it by \$264 million, and it also increases the out-year appropriation figure request by \$150 million each year, as well.

HIGHLIGHTS OF STATE'S ACQUISITION AND CONSTRUCTION PROGRAM

As you know, sir, we are approaching the anniversary of the bombing in Nairobi and Dar Es Salaam and last fall, after those tragic events, thanks to your support, the President's request for a \$1.4 billion emergency security appropriation was passed and that has allowed us to do an awful lot. Briefly, I would like to summarize what we have been able to do.

That money has been able to carry us forward and put on a large-scale acquisition and construction program. In Nairobi we continue to make progress on the construction of chanceries. In Dar we have moved into our temporary facilities on February 4. In Nairobi we are going to be moving into our interim facility in August. In Nairobi we have a permanent chancery site under contract. In Dar our first choice turned out not to be available, but a new site has been identified and is being evaluated. Three American design/build firms have been identified through a competitive process to submit bids on these two facilities.

Progress is also being made to relocate other priority posts. In Doha, Qatar, on March 22, the chancery moved into a more secure temporary facility and a lease agreement for a permanent facility has been signed. In Istanbul, Turkey, a site has been identified and a purchase option has been signed. In Tunis, where we already own a site, we are preparing a package for architectural and engineer-

ing services. And pending your concurrence, we have plans to move forward in Kampala and Zagreb, as well, and preferred new sites have been identified in Rio de Janeiro and Sao Paulo, and these two will be pursued upon your concurrence.

We can also report a lot of progress in our physical and perimeter security programs. We have signed implementation contracts with two major American construction companies who will assist the department in executing the physical security upgrades. Since the beginning of this fiscal year, teams have visited 66 posts to install, repair or replace forced entry and blast resistant doors and windows. We have acquired 35 real estate acquisitions at 15 posts to increase the setback of our facility from areas that are not under our control.

BUDGET REQUEST FOR STATE'S SECURITY CONSTRUCTION PROGRAM

I wanted to say a few words about these programs because I think this has demonstrated the accomplishments the department has been able to engage in, and we have an aggressive security construction program. We have done this, and we can continue to do so, and your approval of the President's budget request and budget amendment is critical to sustain the momentum with which we have begun this program.

The department's Foreign Building Program, which is under my jurisdiction, has developed a strategy for pursuing an effective multi-regional, concurrent construction program. This strategy is derived from the experiences that we gained from the Inman program and our strategy includes a rigorous prioritization process for projects that include inputs from the Under Secretary for Management and the Under Secretary for Political Affairs to make sure that we are building the right properties in the right locations to advance U.S. national interests. It also includes input from the Bureau of Diplomatic Security and Consular Affairs Bureau, the regional bureaus, as well as the intelligence community.

These increases in the security construction program cannot, however, come at the expense of our ongoing regular programs. The request for the regular programs reflects the department's commitment to provide safe and secure work environments for our employees overseas and to maintain and rehabilitate our older facilities to make them more efficient by extending their useful life.

The task in all of this is enormous. We have to expeditiously locate safe facilities for more than 20,000 staff in 50 different U.S. Government agencies that work in our 220 vulnerable platforms overseas. We have a plan, and we are requesting the resources to implement that plan.

PREPARED STATEMENT

The key to this program is your approval of the President's request, including the advance appropriations. As was pointed out in Admiral Crowe's report, the key to a successful program is a sustained commitment to funding over several years.

I will be glad to take any questions you might have, sir.

[The statement follows:]

PREPARED STATEMENT OF PATRICK F. KENNEDY

Mr. Chairman, I would like to thank you, Ranking Member, Senator Hollings, and the other Members of this Committee for the opportunity to discuss the President's Budget Amendment to increase the fiscal year 2000 appropriations request for Security and Maintenance of United States Missions by \$264 million. In addition, the proposal increases the request for advance appropriations by \$150 million per year for fiscal years 2001–2004. These additional funds would be used to accelerate capital acquisition and construction of secure diplomatic and consular facilities overseas. In total, this \$600 million increase supports a sustained commitment to the security of our personnel overseas.

Mr. Chairman, we are rapidly approaching August 7, the one-year anniversary of the cowardly attacks on our embassies in Nairobi and Dar es Salaam. How can any of us forget the shock, the horror, and the sorrow, we all felt that day. These events remind us and served to demonstrate how vulnerable many of our facilities overseas are to terrorist attack. Last fall, in an immediate response to those tragic incidents, the Congress approved \$1.4 billion in Emergency Security Appropriations to begin the task of making our overseas facilities safer for our employees and our citizens visiting abroad. I want to thank you Mr. Chairman and members of this Committee for your support.

Much progress has been made in recent months to put the infrastructure in place to carry out a large-scale acquisition and construction program. Let me give you an update on this progress and on our implementation of the fiscal year 1999 Emergency Supplemental Appropriation. We have sought help from the private sector and consulted with OMB, GSA, DOD, major multinational corporations, and others to benefit from their expertise and their approaches to large scale, cost effective construction. We have detailed month-by-month plans for obligating funds and implementing programs, and we are providing careful oversight through weekly status meetings and quarterly offsites. Members of your staff were invited to attend the offsite held on June 25. Our implementation is also receiving the oversight and scrutiny of the Department's Office of the Inspector General and the Congress's General Accounting Office. In addition, the Department submits regular reprogramming notifications to the Congress for your review prior to our obligating funds for these capital projects.

In Nairobi and Dar es Salaam, we continue to move ahead with the construction of our new chanceries. The embassy in Dar es Salaam moved from temporary facilities to a more secure new interim office building on February 4 of this year. In Nairobi, the new interim chancery has been completed and the post will be moving from its temporary facilities within the next few weeks. In Nairobi, we have a permanent chancery site under contract. In Dar es Salaam, while our first site was not available, a new site has been identified and is being evaluated. Three American Design/Build firms have been selected to compete for the construction of these two new facilities and we expect to award the contract before the end of this fiscal year.

Progress is also being made in our efforts to relocate priority (high risk) posts. In Doha, on May 22, the chancery moved into more secure temporary facilities, and a lease agreement for a permanent facility has been signed. In Istanbul, a site has been identified and a purchase option has been signed. In Tunis, where we have a site, we are preparing a package to acquire Architectural and Engineering (A&E) services. Pending your concurrence, we plan to move forward with Kampala and Zagreb, where we have the ability to put these projects under contract immediately. Preferred sites have also been identified in Rio de Janeiro and Sao Paulo. These, too, will be pursued upon your concurrence.

We can also report progress in our physical and perimeter security programs. As of June 30, we have obligated or committed over \$122 million in the Upgrade Worldwide Security Program. Two Implementation Contracts have been awarded to American construction companies to assist the Department in executing physical security projects. Department and Contractor teams visited 19 posts in June and another 20 will have been visited by the end of July. Through June, five window film contracts totaling \$15 million have been awarded. Teams have visited 66 posts since the beginning of the fiscal year to install, repair, or replace forced entry/blast resistant doors and windows. Last month alone, the Department sent funds to 46 posts in support of post-managed physical security upgrades. We have completed 35 real estate parcel acquisitions at 15 post to increase setback of our chanceries from public streets and other uncontrolled areas. Negotiations and investigations continue on 44 other setback acquisitions at 20 posts. In our staffing efforts, we have selected nearly 80 percent of the candidates to fill the 68 additional positions approved.

I wanted to say a few words about these program accomplishments because much has been said about the Department's ability to implement an aggressive security

construction program. I think we can; and, we are doing so. Your approval of the President's request and budget amendment is critical to sustain the momentum with which we have begun this program. The Department's Foreign Buildings Program has developed a strategy for effectively executing a multi-regional, concurrent construction program. This strategy is derived from our Inman experience with simultaneous execution of large, multi-year projects and from careful review of construction industry best practices. Our strategy includes a rigorous prioritization process for projects that includes input from Under Secretaries for Management and Political Affairs, the Bureaus of Diplomatic Security and Consular Affairs, the regional bureaus, tenant agencies, and the intelligence community. It also includes an emphasis on site acquisition so projects can be initiated, and a design/build contractual methodology which speeds completion of the projects, as well as enhanced staffing to ensure effectiveness and proper oversight.

The President's Budget amendment increases the fiscal year 2000 appropriations request for Security and Maintenance of United States Missions by \$264 million. In addition, the proposal increases the request for advance appropriations by \$150 million per year for fiscal years 2001–2004. These additional funds would be used to accelerate capital acquisition and construction of secure diplomatic and consular facilities overseas. Specifically, these fiscal year 2000 funds would support the full construction costs of four new diplomatic facilities (current plans call for Istanbul, Abu Dhabi, Luanda, and Tunis) and will allow for the purchase of sites and design at five to eight additional posts. The posts listed for site and design may vary slightly, depending on the length of time required to acquire the sites and possible priority adjustments.

While we seek these increases in the security construction program funding, they cannot come at the expense of our ongoing regular programs and our fiscal year 2000 request. These programs provide the necessary infrastructure platform that will allow us to move out smartly on an expanded capital construction program. The request for our regular programs reflects the Department's commitment to provide a safe and secure work environment for our employees overseas. In addition, the program enables the Department to maintain and rehabilitate facilities overseas and make more efficient use of them by extending their useful life. Extending the useful life of our facilities by reasonably maintaining our facilities is an investment in the long-term future. Failure to do so can only lead to total replacement of facilities in the near future, at a much greater cost.

Our task is enormous—to expeditiously locate into safe facilities the more than 20,000 embassy staff from more than 50 agencies who are presently working in over 220 vulnerable buildings. We have a plan, and we are requesting the resources to implement the plan. The journey began with the fiscal year 1999 Emergency Supplemental Appropriation and it continues with the President's budget request and budget amendment. Key to this program is your approval of the President's request, including the advance appropriations. As was pointed out starkly in Admiral Crowe's report, the "Achilles Heel" to having a successful program is the lack of commitment to sustained funding over several years. Without it, we will be doomed to failure. Every day we delay, is another day U.S. government employees and their families work and live in jeopardy.

Thank you, Mr. Chairman, for the opportunity to appear before your committee this morning, and I look forward to working with you to ensure a successful program. I would be pleased to answer any questions you or Members of the Committee might have.

QUESTIONS AND ANSWERS

Senator GREGG. Well, I sort of hoped you folks were going to come up here and give me a reasoned response, versus giving me the junk that we are getting from the administration on this issue.

Advanced funding is not going to be tolerated by this committee. The administration sends up a proposal in its original budget for \$300 million of funding this year, and \$1.4 billion is represented by the Crowe Commission, and then tries to game the Congress by sending up a supplemental where it claims that it is increasing the funding without giving us any offsets—that is gamesmanship.

This committee has been stalwart in trying to address the problems of the State Department, and we are getting very tired of the

State Department playing the tunes of an administration which is trying to game us.

What I had hoped you were going to tell me was where we are going to get offsets; how we are going to pay for this; and give us some sort of intelligent plan for it. Instead, you give me a lot of pabulum which is a restatement of the administration's position, and it is not constructive. It is not constructive to me.

Now, I suggest you go back and talk to your bosses, and you tell them that I am committed to increasing security, and I think I have backed that up with dollars.

Mr. KENNEDY. You have, sir.

Senator GREGG. But I expect them to, when the administration sends up a phoney proposal, as they did in this instance, without any way to pay for it, then I do not expect people who are supposed to be protecting the people out there to sign onto that proposal carte blanche. I expect there to be some sort of response that recognizes that your first obligation is not to Bill Clinton and his political pressures; your obligation is to those people out there and their families who are at risk. And so far, I have not seen that fulfilled.

And that statement you just read was really sort of an affront, to come up here and again suggest advanced funding and to not suggest offsets.

DOWNSIZING THE SIZE AND NUMBER OF EMBASSIES

Now I would suggest some ideas that I would like to get a response to. I am not going to ask you for them now because I suspect, in light of your statement, that it would not be constructive, but I would like some proposals that would substantively address some of the following issues.

One, it seems to me that we are spending a lot of money to build a lot of facilities, and it does not appear to me that this administration is going to come up with the money to build all the facilities we need.

Therefore, we have to take a look at how we can build facilities out that we need and how we can merge facilities and be more efficient in our use of the facilities. That means taking a look at what we do with the roving ambassadors in the Caribbean, whether those types of proposals make sense in areas where we do not have high-impact activity. It works in the Caribbean, which is our neighbor, so it should work in places where we do not have a major relationship.

I think we have to take a look at working with some of our traditional allies and merging facilities with the United Kingdom or Canada or even Australia, in again, areas where we do not have high-impact activities.

We have to take a look at whether or not we should have facilities that are fully manned, scale down our operations in some areas, bring in ambassadors but maybe not have the panoply of support that they would require if they were in a really high-active position versus a more moderate active position.

Those are steps, and I am sure there are other steps which would control some costs, reduce the amount of money it is going to take us to get embassies up to security level.

IMPROVING SECURITY AT "SOFT" TARGETS

I also would like to get some ideas on how we get beyond the security of the embassy and into the security of the softer targets which are going to become the natural targets when we harden the embassies. I do not want to harden an embassy in some country and then have a school attacked because that was a soft target. In those countries where it looks like we are at risk, I do not think we limit ourselves to looking at the embassy. You look at the places where our staff lives.

OFFSETS

And then last, I expect the State Department to give me some offsets. They do not necessarily have to come from State but I expect there to be some offsets sent up with the need to expand this spending. There is no question we have to find more resources to do this job right but you just cannot do what this White House has decided to do, which is to try to put out a positive press release and not take any of the pain in making the tough fiscal decisions.

So I am sure there is some creativity down there that maybe is being suppressed because you need to tow the line for the administration, but this is not an area where we can play political games, in my opinion. We are talking about lives. We know that we are at risk. On August 7 this summer it is all going to be brought back to us.

So let me simply say that I am very disappointed. I do not think we have moved this ball down the field much, but I will move the ball down the field and when I start finding offsets, there are going to be a lot of people at the State Department who are not going to be happy with it. So I would rather do it with you rather than independently.

MR. KENNEDY'S RESPONSE

Mr. KENNEDY. Senator, you have been a staunch supporter of the department, and the support you have given us has been fully and completely appreciated, and we will be getting back to you to answer the questions you posed.

If I might make a couple of brief comments?

Senator GREGG. Yes.

Mr. KENNEDY. We have been looking at the size of our facilities overseas. The Secretary and the President are very, very strong believers in universality of representation with a limited number of exceptions.

Senator GREGG. I understand that. I understand that. But there has got to be somebody down there who says universality may be a wonderful theoretical idea but it is not affordable.

Mr. KENNEDY. You are entirely correct that in places such as the Caribbean, where there are a number of microstates, that a circuit-riding ambassador and no resident presence works.

We feel that if we are going to advance U.S. national interests, serve as the first line of border security, promote economic development and garner the political intelligence that we need to provide decisionmakers with the backup they need, that a resident presence, limited though it may be, is very, very important to us in

order to do that. And we think that we can size embassies correctly in terms of the number of employees that are there.

But, as you well know, there are many other agencies that also occupy our embassies. The Foreign Agricultural Service and the Secret Service believe that they have to be located, for example, in many countries in order to advance sales of U.S. farm products or to engage in activities to combat counterfeiting. So we size the embassies to serve as platforms for those activities, as well.

So we do downsize. We do set the parameters of who is at embassies in the State Department based upon our analysis of national interest and make those things as small as possible, using a model that we developed several years ago called the overseas staffing model, that brings those numbers down.

In terms of offsets, in terms of the proposal, the budget amendment that is before you right now, that budget amendment is an offset amendment for fiscal year 2000. It is within the President's budget.

Senator GREGG. Yes, but the offsets are phony.

There are two minutes left on the vote so I am going to have to go and vote.

Senator STEVENS. I have just come down because I wondered about the emergency action in the House. Did you request that?

Senator GREGG. They are not involved in that. Just the Census was part of the emergency.

Mr. KENNEDY. The State Department budget request, Mr. Chairman, is not an emergency request.

Senator GREGG. We talked with the Census Bureau. We asked them how it could be an emergency if the Constitution called for it 200 years ago.

ADDITIONAL COMMITTEE QUESTIONS

Senator STEVENS. That was my question. I am sorry to be late. I was involved with something else but I appreciate it.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR JUDD GREGG

Question. The recently developed "Nairobi 2010" plan presents innovative options for consolidating various administrative functions at the regional level, but it ignores opportunities for consolidating political and economic functions.

How could the "Nairobi 2010" model be expanded to include political and economic operations?

Answer. The working group that was involved with the Nairobi 2010 model did in fact look at the entire USG presence in the region. The group found that the U.S. Government maintains a very limited diplomatic presence in the East Africa region and therefore was unable to identify any potential for regionalizing policy staffs in the area. An interagency review panel concurred with this conclusion.

Question. In countries where classified requirements are minimal, what opportunities exist to undertake joint building projects with close allies such as the United Kingdom, Canada, and Australia? Beyond actual co-location, what other functions could be shared?

Answer. We have considered this approach in the case of one of our embassies in East Asia and have found that difficulties arise with regard to national security concerns. Co-location creates a serious potential for compromise of our classified and sensitive communications and information systems. Even if a particular post only conducted minimal classified or sensitive activity, that post shares the same system with other U.S. posts, which may process more classified or sensitive information.

With regard to other shared functions the Department has on a limited basis discussed sharing contract support on the administrative side at some of our posts. However, to go beyond the common use of contractors, to the use of direct hire resources is a sizable leap and would require the governments involved to surmount considerable bureaucratic and legal hurdles.

Question. Ambassador Rohatyn, in Paris, has developed a new form of representational office referred to as an American Presence Post (APP). APPs are tailored to address a specific mission, such as trade. The first such post was recently established in Lyon, France. APPs involve as few as one American, provide limited American citizen and consular services, lease office space, have all administrative functions handled centrally by the embassy, and meet security standards by presenting a very small target. Amb. Rohatyn's approach has allowed him to expand U.S. presence and access at only a small increase in cost.

How do we broaden the American Presence Post concept from a satellite operation within a given country to the sole presence in appropriate countries?

Answer. The American Presence Post is a significant departure from the more conventional form of diplomatic representation and offers a number of significant benefits. However, there are still a number of systemic concerns about its broader applications. The Department has in the past had one-person posts, both consulates and embassies, and where our interests are extremely limited, this may well make sense. However, with the globalization of issues—trade, narcotics trafficking, organized crime, and other humanitarian concerns—there are very few countries in which our diplomatic engagement can be confined to a range of issues that can be properly handled by one or two persons.

Question. The American Ambassador to Barbados is also accredited to several other island states in the Eastern Caribbean. The embassy and staff are located in Bridgetown, Barbados, and personnel travel as necessary to fulfill their diplomatic duties. This example of regional representation is unique, although other opportunities clearly exist.

How do we translate the "circuit rider ambassador" approach that has proven successful in the Eastern Caribbean to other regions of the world? What areas or regions do you believe are most suited to regional representation?

Answer. Prior to 1980 the U.S. had a number of "circuit rider Ambassadors." The U.S. government determined that this concept was not bearing sufficient fruit diplomatically and therefore discontinued this approach on a routine basis. Our national interests are now so varied and the need for coalition building around the globe so essential to our continued global leadership that it is now essential to have accredited Ambassadors in almost every country. That being said, there is certainly room for a more flexible, dynamic and creative approach to modern diplomacy and the Secretary is committed to studying new approaches to global representation.

Question. Please identify offsets to the Department's request for \$264 million for embassy security construction, submitted in the June budget amendment.

Answer. The Department's request for \$264 million for embassy security is part of an overall \$2.3 billion Administration proposal for additional fiscal year 2000 and out-year funding for the Census, INS, and several other agencies. It is our understanding that these fiscal year 2000 funding increases are fully offset and will not diminish the fiscal year 2000 surplus. However, because International Affairs (Function 150) funding is already stretched to the limit, none of the offsets for the fiscal year 2000 budget amendment come from the Department of State or other Function 150 programs.

The following is a brief summary of the Administration's proposed offsets to this \$2.3 billion budget amendment package. The Office of Management and Budget can provide your staff with any additional information required.

- Offsetting fully the \$230 million INS portion of the package from other programs within the Department of Justice and through a new domestic visa processing fees.
- Modifying the estimated tax "safe harbor" for individuals. This proposal is anticipated to increase fiscal year 2000 receipts by \$1.8 billion.
- Revising the Welfare-to-Work program that postpones to fiscal year 2001 some of the program's financing. This action would reduce mandatory budget spending by \$250 million in fiscal year 2000.
- Increasing by \$250 million the savings proposal for the Federal Family Educational Loan program.

Question. Is the focus on improving security at our embassies coming at the expense of American schools and residences abroad? What is the Department doing to protect these "soft" targets?

Answer. In the aftermath of the tragic bombings in East Africa, posts around the world expressed concern about the safety of our children in schools overseas and our

employees and their families in their residences. We in the Department share this concern and want to make certain posts take advantage of available resources to bolster the security posture of USG-owned or leased residences and at overseas schools where USG dependents are enrolled.

Although direct financial assistance to improve security at privately owned overseas schools is not possible, professional advice and continued close communication between posts and school officials will assist schools in maintaining a good security posture. The Department provides physical security specifications so that schools can build or upgrade according to our standards. Regional Security Officers and Administrative Officers are encouraged and instructed to work closely with schools in which USG dependents are enrolled to identify ways to upgrade their preparedness and response capabilities. When improvements can be made, recommendations are communicated to the school management. Posts are also encouraged to be as generous and as forthcoming as possible with their time and expertise to see that these recommendations are implemented.

At some posts, schools are already implementing recommendations. Schools have purchased two-way radios for buses, improved perimeter security, hired additional security guards, and conducted drills. In addition, the Department's Overseas Schools Advisory Committee has published a how-to manual of disaster preparedness entitled, "Creating a Comprehensive Emergency Procedures Manual for Overseas Schools." This manual has been distributed to school administrators and administrative officers at all posts. The manual is a step-by-step guide written in plain language to develop security strategies. We urge posts to use this document as a blueprint for effective school emergency plans.

With regard to residences, the Department has spent over \$6 million this fiscal year to improve residential security. The Department's residential security program equips residences with window grilles, door locks, lighting, alarms, upgraded doors and windows, and other security improvements as necessary. Shatter resistant window film will be installed on residences worldwide, and, at two posts, \$570,000 has been provided for anti-ram walls protecting three residential compounds.

CONCLUSION OF HEARING

Senator GREGG. OK. Well, rather than tie you up here——

Mr. KENNEDY. I would be glad to wait at your convenience, sir.

Senator GREGG. No, I think I have asked my questions and you get the sense of where I want to go. We will just continue to work with you. Thank you.

[Whereupon, at 10:42 a.m., Thursday, July 29, the hearing was concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]